

LEGISLATIVE AUDIT COMMISSION



Review of
Department on Aging
Two Years Ended June 30, 2004

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**REVIEW: 4242
DEPARTMENT ON AGING
TWO YEARS ENDED JUNE 30, 2004**

FINDINGS/RECOMMENDATIONS -12

PARTIALLY ACCEPTED - 2

ACCEPTED - 8

IMPLEMENTED - 2

REPEATED RECOMMENDATIONS - 2

PRIOR AUDIT FINDINGS/RECOMMENDATIONS - 2

This review summarizes the auditors' reports of the Department on Aging for the two years ended June 30, 2004, filed with the Legislative Audit Commission on March 31, 2005. The auditors performed a compliance examination in accordance with State law and *Government Auditing Standards*.

The Department on Aging was created by the State Legislature in 1973 for the purpose of improving the quality of life for Illinois' senior citizens by coordinating programs and services enabling older persons to preserve their independence as long as possible. It is the single State agency in Illinois authorized to receive and dispense Federal Older Americans Act funds through area agencies on aging and community-based service providers. Appendix A presents statistical information on the Department's State Community Care Program. The average monthly caseload in FY04 was 39,321. In FY2000, the average caseload was 37,365, and 35,803 in FY99.

The Director of the Department during the first eight months of the examination period was Margo E. Schreiber. Mr. Charles D. Johnson became the Director on March 1, 2003. He remains as Director. Previously, Mr. Johnson served as Executive Director of the Northeastern Illinois Area Agency on Aging in Kankakee from 1974 to 2003.

The number of persons employed by the Department was 108 in FY04 compared to 125 in FY02.

Expenditures From Appropriations

The General Assembly appropriated a total of \$330,207,682 to the Department for FY04. Of the total appropriation, approximately \$299 million was expended for grant purposes, with the remaining \$14.4 million expended for operating expenses. Of the total appropriation, \$263 million, or 79.6%, is from the General Revenue Fund, with 20.4% from the Older Americans Fund and two other funds. Appendix B presents a summary of appropriations and expenditures for FY04 through FY02.

REVIEW: 4242

Total expenditures were \$303,221,271 in FY03 and \$313,447,008 in FY04, an increase of \$10.2 million, or 3.4%. Total expenditures for operations were \$14.9 million in FY03 and \$14.4 million, a decrease of \$492,278, or 3.3%. At the same time, total expenditures for grants increased from \$288.3 million in FY03 to \$299 million in FY04. Significant variations in expenditures from FY03 to FY04 occurred as follows:

- Homemaker and Chore/Housekeeper and Senior Companion Services increased \$10.8 million;
- Adult Day Care increased \$2.5 million due to a rate increase for providers;
- The Elderly Feeding Program decreased \$3 million because the fourth quarter funding was received late so expenditures will not be reflected until FY05.

Lapse period expenditures were 12%, or \$37.5 million in FY04.

Cash Receipts

Appendix C is a summary of cash receipts of the Department for FY04 through FY02. Total cash receipts increased from \$57,938,173 in FY03 to \$59,675,280 in FY04. The greatest change in cash receipts was the increase from \$47.6 million in FY03 to \$53.8 million in FY04 from the U.S. Department of Health and Human Services. This was due in part to the transfer of funding for the Elderly Feeding Program from the Department of Agriculture to DHHS. Changes in the State Projects Fund usually reflected one-time grants.

Property and Equipment

Appendix D is a summary of property and equipment transactions of the Illinois Department on Aging during the period under review. The balance increased from \$1,095,344 as of July 1, 2002 to \$1,115,660 as of June 30, 2004.

Accountants' Findings and Recommendations

Condensed below are the 12 findings and recommendations presented in the report. There were two repeated recommendations. The following recommendations are classified on the basis of updated information provided by Rachel Washington, Bureau Chief, Business Services Bureau, in a memo received January 23, 2006.

Partially Accepted

- 1. Only make payments for efficiency initiative billings from line item appropriations where savings would be anticipated to occur. Further, seek an explanation from the Department of Central Management Services as to how**

REVIEW: 4242

savings levels were calculated, or otherwise arrived at, and how savings achieved or anticipated impact the Department's budget.

Findings: During FY04, the Department received three billings totaling \$184,216 from CMS for savings from efficiency initiatives as follows:

- Information Technology \$114,134
- Procurement Efficiency 68,043
- Vehicle Fleet Management 2,039

The auditors questioned whether the appropriate appropriations were used to pay for the anticipated savings. The Vehicle Fleet Management billing was not paid from Operation of Auto Equipment. The Department used \$184,216 from a grant-in-aid appropriation specifically for expenses associated with case management.

Response: Partially Accepted. The Department was unsuccessful in receiving support documentation from the Department of Central Management Services on the calculation for the projected Efficient Initiative savings to adequately code related invoices. Consequently, the Department chose to pay all three savings initiative invoices from the Case Coordination Unit (CCU) appropriation line, as it covers the majority of the Agency's procurement activities which relate to contracting with Community Care Providers (CCP) provider agencies and managing the largest online billing system for the Department.

- 2. Update disaster contingency plan to reflect current operations. As new developments and/or modifications occur, the plan should be updated to ensure it remains current and can be relied upon during a disaster situation.**

The plan should also be updated to:

- **Require formal reviews and updates of the plan at least annually;**
- **Establish testing procedures, including documentation requirements;**
and,
- **Provide for alternate sites for restorations of services should the Department's primary computing facilities become inoperable.**

Assess the criticality of systems and determine a reasonable recovery timeframe associated with at least the critical applications. These recovery timeframes should then be incorporated into the contingency plan and tested during recovery testing.

Once updated and approved, test the plan to ensure it is adequate in recovering critical systems and computer operations. Test the plan at least annually and update the contingency plan accordingly based on testing results. A copy of the plan should be stored at a secured offsite location and made available to appropriate personnel.

Partially Accepted - concluded

Findings: The Department had not established an adequately developed and tested disaster contingency plan for ensuring recovery of critical systems. During the audit period, the Department expended \$986,000 for a web-based component of the Community Care Program Information System (CCPIS). The Department relied on its systems to administer approximately \$258 million in State and \$57 million in federal funds.

The auditors noted the following deficiencies:

- The disaster contingency plan (Plan) has not been updated since April 2000 and could not support the web-based component.
- The Plan did not include recovery timeframes.
- The Plan did not contain procedures for performing recovery tests or testing documentation requirements.
- The Plan did not have an alternate recovery location.
- The Plan had never been tested.

Response: Partially Accepted. The Department has technology procedures in place which are executed daily to ensure recovery of its computing environment. Although there are no complete written step-by-step instructions for each backup and recovery process, system and user files are backed up daily and stored off-site. These tapes are reviewed and tested to recover files.

The Department is developing a Disaster Contingency Plan to be in compliance with Health Insurance Portability and Accountability Act of 1996 (HIPAA) Security requirements. The Department will expand this plan to include all Department computer systems to ensure it is adequate for recovering its computing environment. The Plan will be modified to include an adequate off-site recovery facility for temporary processing, a list of prioritized applications and a testing plan.

Accepted

3. Formally assign security administration responsibilities to ensure written security-related policies and procedures are established and enforced for securing computer resources. Once assigned, the Security Administrator should work with Department officials to establish comprehensive formal policies and procedures relating to information systems. At a minimum, these policies and procedures should address:

- **Appropriate uses of computer equipment, including policies on personal and unlicensed software and the reporting of improper usage;**
- **General security provisions, including internet and network security;**
- **Routine backup of information and off-site storage of backups;**
- **Virus protection measures; and,**

REVIEW: 4242

- **Physical security, including individual responsibility to protect computer resources.**

Once established and approved, these policies should be communicated to personnel and routinely reiterated. Require personnel to review and sign-off that they understand and agree to comply with the established computer policies and procedures.

Findings: The Department had not established adequate comprehensive security-related policies and procedures, nor had it formally assigned a Security Administrator. Policies in the employee handbook did not include adequate detail. The auditors noted that the Department had not established formal policies and procedures including:

- Appropriate uses of computer equipment, including policies on personal and unlicensed software;
- General security provisions, including internet and network security;
- Routine backup of information and off-site storage of backups;
- Virus protection measures; and
- Physical security, including individual responsibility to protect computer resources.

Response: Accepted. The Department is currently addressing this issue as part of the Health Insurance Portability and Accountability Act of 1996 (HIPAA) security assessment by developing comprehensive security policies and procedures relating to the Department's information systems. The Department is in the process of hiring a Public Service Administrator within the Bureau of Technology whose duties will encompass developing and implementing adequate Information Technology security policies and procedures. As part of our annual HIPAA training for all employees, the Department is also currently developing a PowerPoint presentation for training purposes to ensure staff adhere to HIPAA mandated policies and procedures.

4. Allocate sufficient resources for the timely and accurate preparation of accounting reports submitted to the Comptroller. Train additional staff on the preparation of these reports to alleviate the Department's dependence on certain employees. (Repeated-2000)

Findings: The Department failed to file certain accounting reports timely with the Comptroller. The Grant/Contract Analysis form (SCO-563), the Grant/Contract Analysis supplemental information form (SCO-563C), and the Compensated Absences form (SCO-580) were filed late.

Department officials stated that forms SCO-563, SCO-563C were not filed timely due to time constraints. SCO-580 was filed late because of staff shortages.

Response: Accepted. The Department acknowledges the difficulty it has had in complying with deadlines from the Office of the State Comptroller. The fiscal department has been in a transition period for the past 1.5 years and changes are being implemented to guarantee timely report filing.

Accepted - continued

- 5. Comply with the requirements of the Fiscal Control and Internal Auditing Act by filing the required certification timely. Commence the annual internal control review earlier to alleviate unforeseen time constraints on individuals involved in the annual internal control review process. (Repeated-2002)**

Findings: The Department did not timely file the required certification for FY04 that its systems of internal fiscal and administrative controls comply with the requirements of the law.

Response: Accepted. Due to personnel changes, the staff responsible for monitoring the FCIAA compliance was new to this responsibility and while the form had been completed, submission of the report by the required date to the Auditor General was overlooked.

- 6. Implement the senior benefits advocacy program on a statewide basis through area agencies as required by law or seek legislative remedy to the statutory requirement.**

Findings: The Department did not implement the senior benefits advocacy program through area agencies on aging. Department officials stated that the program would cost almost \$2 million to fund statewide and that funding was requested in FY98 for this program.

Response: Accepted. The Senior Benefits Program was added to the Illinois Act on the Aging effective January 1, 1997. There was no authorization for funding included in that legislation. The Suburban Area Agency on Aging (SAAA) has been a major proponent for the original legislation because it allowed them to continue a successful demonstration program they had administered for several years to assist older persons in obtaining those public benefits for which they were eligible. The Department on Aging was not able to get funding for this program included in the Governor's proposed budget for FY1998 which led the SAAA to initiate a request for a Member Initiative through one of their local legislators to obtain funding to continue their demonstration program.

In June of 1997, the State Legislature included as last minute add-ons to the Department's appropriation bill, two Member Initiatives for FY1998 to the Suburban Area Agency on Aging (SAAA) and to the Chicago Department on Aging (CDoA), for a "Red Tape Cutter" program to help link older person to the public benefits for which they are eligible. Although the "Red Tape Cutter" funds allowed these two AAAs to provide services similar to the Senior Benefits Program, the funds were not associated with that program.

Over the next several years, many attempts were made by Aging Network advocates through the General Assembly and by the Department on Aging through the Office of Management and Budget (OMB) to obtain funding for the Senior Benefits Program

REVIEW: 4242

statewide. All of those attempts were unsuccessful. The estimates of the cost to do the program statewide (\$1.92 million) were derived by how much the SAAA was receiving from its "Red Tape Cutter" Member Initiative and then comparing that to the Department's Intrastate Funding Formula (IFF) and then calculating how much would be needed statewide in order for the SAAA to obtain what they had been receiving under the demonstration program through the application of the IFF.

Each year since FY98, there have been appropriations included in the Department's budget for both the SAAA and the CDoA to receive funding to maintain their "Red Tape Cutter" programs. This funding has never been tied to the legislation passed in 1997. Through other funding sources, the other eleven Area Agencies on Aging do actively assist older persons in obtaining public benefits such as pharmaceutical assistance and other types of resources available to them.

The Department has not been able to and cannot implement this programmatic mandate without an appropriation. The program design implemented through the two ongoing Member Initiatives to the SAAA and CDoA are not consistent with the program design specified in the Senior Benefits Program legislation.

7. Implement the Community Senior Services and Resources Advisory Act or seek legislative remedy to the statutory requirement.

Findings: The Department failed to implement the provisions of the Community Senior Services and Resources Act (PA 93-0246) which became effective on July 22, 2003 and required the Department to perform the following duties:

- Promulgate rules, guidelines, regulations and directives necessary to implement the Act.
- Establish an advisory committee.
- Make grants to non-profit agencies and units of local government on or after January 1, 2005.
- Facilitate access to government-issued bonds for the purpose of capital improvement.
- Provide technical assistance to centers.
- Develop and comprehensive list of centers and the services they offer for publication on the web and distribution.
- Develop an annual survey to gather information concerning the lack or inadequacy of senior services.
- Conduct an annual survey of centers to assess their facility, program and operational needs.
- Report annually to the Governor and the General Assembly on activities pursuant to this Act.
- Pursue alternative funding opportunities.

Accepted - continued

The Department nominated members to serve on the Advisory Committee. However, the Governor made no appointments, no meetings were held and no rules were promulgated. Department officials stated that they were unable to obtain funding to implement the Act.

Updated Response: Accepted. The Community Senior Services and Resources Act required the Department to solicit nominations for membership on the Advisory Committee from a number of specific groups. The Department was able to obtain the names of nominees from each of those groups and then forwarded those nominations to the Governor's office for his appointment in January 2004. The approval of the nominees was made in mid July 2004. Since that time, the Department has convened six meetings with the Advisory Committee. The Advisory Committee has elected a Chairman, has developed and adopted by-laws, and conducted regular meetings for 2005. In addition, the committee members have done the following:

- Held a lottery to determine the length of term for each member;
- Developed a Senior Center Survey on August 24, 2005;
- Received Ethics Training on October 26, 2005;
- Established a Senior Center Fund (#615) for accepting donations and bequeaths;
- Combined three statewide senior center lists into one list for survey purposes; and
- Set meeting dates for 2006: January 25, March 22, May 24, and August 23.

The Advisory Committee's Chairman has sent letters to all of the entities listed in the legislation that could provide funds to implement this Act. Invitations were sent to the State Treasurer's office, the Attorney General's office, and a representative of local governments. Funding for this Act is totally dependent on these entities agreeing to provide funds per the language in the Act. This legislation was passed by the General Assembly with the implicit understanding that it was only to be funded by the mechanisms included in the Act and would not be subject to an appropriation request by the Department on Aging for General Revenue Funds. At this time, none of these entities has been able to commit any funding for this legislation.

Although, the Department's implementation of this Act is behind the timeframes listed in the Act, the Department is now implementing the Act consistent with the legislative intent.

- 8. Establish one specialized Alzheimer's Day Care Resource Center in an urban area and one in a rural area and develop a training module to assist persons with Alzheimer's disease and other related diseases of that type as required by law or seek legislative remedy to the statutory requirement.**

Findings: The Department failed to establish one urban and one rural specialized Alzheimer's Day Care Resource Centers as required and failed to contract with a public or private agency to develop a training module for the specialized Alzheimer's Day Care Resource Centers.

REVIEW: 4242

Department officials stated the Centers were never opened because monies were never appropriated for the purpose. Officials estimate the cost of establishing the two Centers to be more than the \$270,000 per year it costs to operate two Adult Day Care Resource Centers. The Department did provide grants to SIU of \$8,500 in FY03 and FY04 to underwrite the expense of SIU's annual Alzheimer's conference, which has training workshops. In FY03, the Department had a \$13,900 contract with Heather Hills Hospital and Presbyterian Homes for Alzheimer's dementia mapping training.

Response: Accepted. The Department has not established specialized Alzheimer's Day Care Resource Centers as outlined in the Illinois Act on Aging. The Department plans to recommend that this section of the Act be amended to remove that mandate or seek funding should an opportunity exist to implement such centers.

9. Implement appropriate compensating controls or revise policies and practices to segregate duties and strengthen internal controls over payroll and cash receipts.

Findings: The Department lacked proper segregation of duties in processing cash receipts and payroll. The account technician who prepares deposit tickets and endorses checks also reconciles the cash receipt records to the monthly Comptroller Report of Cash Receipts. Also, the payroll clerk who creates payroll transactions in the Central Payroll System also retrieves payroll warrants from the Comptroller's Office.

Response: Accepted. The Department has changed procedures relating to retrieval of payroll warrants from the Comptroller's Office. The Department has assigned a person independent of payroll function to retrieve vouchers and warrants from the Comptroller to ensure proper segregation of duties.

10. Maintain complete payroll files that contain the proper deduction authorization forms to support payroll deductions as required by the SAMS manual.

Findings: The Department's payroll files were incomplete. The auditors found no supporting documentation for the deductions found on the payroll vouchers for 11 of the 15 employees tested. The auditors noted nine instances of payroll files missing W-4 forms, six instances of missing Illinois W-4 forms, and three instances of missing union dues deduction forms.

Response: Accepted. The Department acknowledges that the payroll files were incomplete and not in compliance with the Statewide Accounting Management System (SAMS) manual. The department has taken steps to maintain accurate payroll files. Payroll documents have been secured and properly filed in employee payroll files. The Department is currently going through each employee file to ensure compliance with the Statewide Accounting Management System (SAMS) manual.

REVIEW: 4242

Accepted - concluded

Updated Response: Implemented. The Department requires authorized documentation to support payroll deductions.

11. Implement proper controls over voucher preparation to ensure that all vouchers are signed and dated to verify receipt.

Findings: The Department did not have adequate controls over the processing of invoice vouchers. The auditors tested 254 invoice vouchers and noted that 56 vouchers did not have receiving signatures and three did not have receiving dates. The vouchers were for expenditures exceeding \$79,000.

Response: Accepted. The Department realizes the importance of obtaining receiving signatures and dates. It is the Department's intent to only process invoices with proper authorization. The Department will take necessary steps to ensure proper authorization is obtained before payment is processed.

Updated Response: The Department will take necessary steps to insure that signatures are dated.

12. Monitor payments to vendors to ensure interest penalties are paid, when required.

Findings: The Department did not pay interest penalties on late payment of vendor bills. Of the approximately 6,100 vouchers processed by the Department, 53 were paid in excess of 60 days after receipt of the vendor invoice. Of these 53, six of the vendors were due interest in excess of \$50, which the Department should have paid automatically. The other 47 vendors were due less than \$50 each in interest, and the vendor must initiate a written request for the interest payment. None of the 47 vendors owed interest of less than \$50 requested payment in writing.

Updated Response: The Department now receives a monthly "Prompt Payment Report" for monitoring purposes and is making interest payments when required.

Emergency Purchases

The Illinois Purchasing Act (30 ILCS 505/1) states, "The principle of competitive bidding and economical procurement practices shall be applicable to all purchases and contracts..." The law also recognizes that there will be emergency situations when it will be impossible to conduct bidding. It provides a general exemption for emergencies "involving public health, public safety, or where immediate expenditure is necessary for repairs to

REVIEW: 4242

State property in order to protect against further loss of or damage ... prevent or minimize serious disruption in State services or to insure the integrity of State records. The Chief procurement officer may promulgate rules extending the circumstances by which a purchasing agency may make 'quick purchases', including but not limited to items available at a discount for a limited period of time."

State agencies are required to file an affidavit with the Auditor General for emergency procurements that are an exception to the competitive bidding requirements per the Illinois Purchasing Act. The affidavit is to set forth the circumstance requiring the emergency purchase. The Commission receives quarterly reports of all emergency purchases from the Office of the Auditor General. The Legislative Audit Commission is directed to review the purchases and to comment on abuses of the exemption.

During FY03-FY04, the Department filed no affidavits for emergency purchases.

Headquarters Designations

The State Finance Act requires all State agencies to make semiannual headquarters reports to the Legislative Audit Commission. Each State agency is required to file reports of all of its officers and employees for whom official headquarters have been designated at any location other than that at which their official duties require them to spend the largest part of their working time.

As of July 2004, the Department indicated it had no employees assigned to a location other than official headquarters.